



Request for City Council Committee Action from the Information Technology Department

Date May 21, 2013

To: The Honorable Betsy Hodges, Chair, Ways and Means Committee

Subject: Microsoft Office 365 Software and Services

Recommendation: Authorize proper City officials to amend contract with Unisys Corporation and execute agreements with Microsoft Corporation to implement and provide support for Microsoft Office 365

Prepared by Elise Ebhardt, Interagency Coordinator, 612-673-2026

Submitted by Otto Doll _____, 673-3633
Chief Information Officer

Approved by Paul Aasen _____
City Coordinator

Presenter in Committee Otto Doll

Policy Review Group X Not Applicable

Permanent Review Committee (PRC) X Pending Approval May 16, 2013

Prior Related Directives:

Microsoft

- June 18, 2004: Authorized enrollment in the Microsoft/State of MN contract for software & software assurance of desktop software in the amount of \$3,150,000 for six years.
- March 12, 2010: Authorized proper City officials to execute a contract with Microsoft Corporation for State's volume pricing for Microsoft products for a term of three years.

Unisys

- December 21, 2007: Authorized proper City officials to renegotiate a five-year Managed Services contract with Unisys Corporation for the City's technology operations, effective January 1, 2008, with two optional two-year extensions for a contract total of \$49,000,000.
- August 6, 2010 Authorized a) Execute a single three (3) year extension with Unisys Corporation instead of two (2) two-year extensions; and b) Amend the language contained in the contract for a change in the scope of services offered, and increase the contract by \$33,900,000

Financial Impact: None. No additional appropriation is required.

Financial Impact (Check those that apply)

- ☒ No financial impact (If checked, go directly to Background/Supporting Information)
☐ Action requires an appropriation increase to the Capital Budget
☐ Action requires an appropriation increase to the Operating Budget
☐ Action provides increased revenue for appropriation increase
☒ Request provided to department's finance contact prior to the Committee Coordinator

Background/Supporting Information

In 2010, the City enrolled in a three-year Enterprise Agreement with Microsoft under the State of Minnesota's contract with Microsoft which expires on June 30, 2013.

Unisys is currently providing the City dedicated infrastructure and services for Microsoft Exchange email, calendar and messaging services, known as Unified Communications as a Service (UCaaS).

IT has been exploring different Microsoft licensing options solutions in preparation for renewing the Enterprise Agreement (EA) and researching options for procuring additional collaboration tools for the City including instant messaging, web conferencing, and online document sharing.

Office 365 is a cloud service hosted by Microsoft and supported by Unisys. Office 365 would provide the City with the full suite of Microsoft Office software and provides the capability for employees to use the software and access their files online from the cloud service. IT has negotiated the following arrangement with Unisys and Microsoft which provides the City with Microsoft Office software, support services, and additional collaboration tools at a lower cost than we could obtain using our existing arrangement:

- Microsoft shall host the Office 365 applications and data. This will be established by executing enterprise enrollment documents through the State of Minnesota's enterprise agreement with Microsoft.
- Unisys shall provide infrastructure to facilitate accessing the Office 365 applications.
- Both Unisys and Microsoft shall provide support of Office 365 in various capacities.
- Unisys shall be a Microsoft Outsourcer, meaning that they own the Microsoft Enterprise Agreement licenses instead of the City. These licenses can only be used by Unisys for the City's account.
- Upon expiration of the Unisys contract, the title to the licenses contained in the Microsoft Enterprise Agreement transfer to the City.
- Other terms of the Microsoft Enterprise Agreement remain the same. The City still retains the ability to interface directly with Microsoft, receive promotional deals for its employees, and receive training credits.
- Remove the UCaaS service from the Unisys contract.
- Add Office 365 services to the Unisys contract. Benefits include:
 - The Service Desk shall remain the Single Point of Contact for support services.
 - Unisys shall continue to provide administrative support of the Office products to the City's users.
 - Office 365 service is less expensive than the combined total of the current UCaaS service and the current Microsoft Enterprise Agreement.

- Licensing for additional Microsoft functionality, such as instant messaging and web conferencing.
- Licensing for online document creation and collaboration features.
- The City retains its current Microsoft Software Assurance benefits, such as the Home Use Plus program and training credits.
- Microsoft will provide a dedicated resource to aid in the migration to Office 365.
- Microsoft is providing promotional dollars to aid in the migration to Office 365 in the amounts of \$121,640 for migration services and \$25,000 for the dedicated resource.

Financial Overview

Below is a financial comparison showing the costs for the City to continue with our current arrangement with Unisys and adding collaboration tools to our Microsoft Enterprise Agreement, and the proposed new model using Microsoft Office 365.

Continue with UCaaS, renew Microsoft Enterprise Agreement and include collaboration tools				
	2013	2014	2015	Total
Unisys UCaaS Services	145,400*	581,599	581,599	1,308,598
Microsoft EA Licensing	920,608	920,608	920,608	2,761,825
Total	1,066,008	1,502,208	1,502,208	4,070,423
Transition to Office 365				
	2013	2014	2015	Total
Unisys UCaaS Services	-	-	-	-
Unisys O365 Services	68,502*	274,008	274,008	616,518
Microsoft O365 Licensing	872,641	872,641	872,641	2,617,924
Total	941,143	1,146,649	1,146,649	3,234,442
Total 3 Year Savings				835,981
*For 3 month period October-December				

Request for Approval

IT requests authorization for proper City officials to:

- a) Execute a contract amendment with Unisys Corporation to remove UCaaS services, add Office 365 services, and increase the contract by \$1,925,844.12.
- b) Execute all necessary enterprise enrollment documents with Microsoft to provide the Office 365 services and other Microsoft licensing that is deemed necessary, using the State of Minnesota's Enterprise Agreement for a three year term, through June, 30, 2016.
 - Using the State of Minnesota's Enterprise Agreement, the City is agreeing to limit Microsoft's liability to direct damages up to the amount the City paid for the services in the prior 12 months. This limitation applies regardless of whether the

liability is based on breach of contract, tort, strict liability, breach of warranties, or any other legal theory.

- c) Execute a separate agreement with Microsoft for Cloud Vantage Essentials services for under \$50,000 to provide a dedicated resource from Microsoft to aid in the Office 365 migration efforts, using Microsoft's contract documents instead of the City's Standard Agreement form.

This request is pending approval of the Permanent Review Committee (PRC) and is scheduled to be reviewed by the PRC on May 16, 2013.